

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, April 16, 2018, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Bob Teso
 Herman Lopez
 Paul Diaz
 Vanessa Mendoza
 Rita Rogers
 Anita Romero

Staff Present: Veronica Moreno, Interim City Manager/City Clerk
 Lourdes Aguirre, Finance Director
 Angel Lopez, Public Works Director
 Chief Amado, Public Safety
 Bobby Yu, City Attorney

Mayor Teso called the meeting to order at 6:00 p.m., and led the Pledge of Allegiance.

ITEM #03 – INVOCATION – Vice-Mayor Lopez led the Invocation.

ITEM #04 – ROLL CALL – All members of the Council were present, except for Councilman Patino and Councilwoman Romero, who were excused.

ITEM #05 – CALL TO THE AUDIENCE

Mayor Teso: Please come forward, sir. We have the three-minute limit on the, on your presentation. Your name and address, please. Yes.

Mr. Moore: I promise I'll take two minutes and 59 seconds. My name is Joseph Moore, address, 312 East 2nd Street. I come on behalf of the American Patriot Memorial. We, the members of American Patriot Memorial, as business owners, residents, veterans and stakeholders in the City of South Tucson, are here tonight to show our support for the new Council and Mayor. As a non-profit that seeks to promote patriotism and the rights of veterans, we have come here tonight, not with any political motivation, but rather, to let the duly elected representatives of our city know that we stand ready and able to assist in the effort to rebuild and revitalize our city. One of the major things that has negatively affected this city is its name. The connection to a past mired and dead, poverty and crime, whether or not the city deserves to be viewed negatively by those who know nothing of its history, the truth is perception is often reality. This is especially true when it comes to trying to rebuild something. A new name often accompanies transformation and can, in fact, be a catalyst for it. It was with this view in mind to rid ourselves of the stigma associated with our city's current name and to begin to forge a new future together, that APM, on behalf of itself and the Marine Corps League Tucson

Detachment 007, petitioned the former Mayor and Council to proclaim this city "American Patriot City". And on December 12th, 2017, a proclamation, I, Idelfonso A. Green, Mayor of the City of South Tucson, Arizona, with support from the City Council and in recognition of the history, do hereby proclaim the City of South Tucson "American Patriot City", was signed by then-Mayor Idelfonso Green, approved and executed, with signature attest by then-City Clerk and now Interim City Manager Veronica B. Moreno. In so doing, the City's officials took a necessary first step toward reshaping its future. However, the name is still not in public use and perhaps this Mayor and Council may not be aware of the recent name change. We humbly call upon the City's officials to immediately give formal recognition to, and begin realizing the many opportunities that the American Patriot City identification will give it for economic development and cultural revitalization. Thank you.

Council members: Thank you.

Mayor Teso: Any other members of the public want to, would like to speak?

(No response from the audience)

Mayor Teso: Thank you.

ITEM #06 – APPROVAL OF MINUTES: Special Meeting, April 5, 2018

Mayor Teso: Are there any additions or corrections to the minutes?

Motion by Councilman Diaz to approve the minutes of the Special Meeting of April 5, 2018. Seconded by Vice-Mayor Lopez. Motion passed unanimously.

ITEM #07 – EXECUTIVE SESSION PURSUANT TO A.R.S. 38-431.03(A)(3)(4):

Motion Councilwoman Mendoza to exit the Regular Session and convene into Executive Session. Seconded by Councilman Diaz. Motion passed unanimously.

Valenzuela Case – All Litigation Pertaining to Case No. TX2014-0002 – Update

Motion by Councilman Diaz to exit Executive Session and convene into Regular Session. Seconded by Vice-Mayor Lopez. Motion passed unanimously.

ITEM #08 – STUDY SESSION

Motion by Councilwoman Rogers to exit Regular Session and enter into Study Session. Seconded by Vice-Mayor Lopez. Motion passed unanimously.

Mayor Teso: Can I have a motion to study executive session and convene into regular session?

Councilman Diaz: (Inaudible) number 8.

Mayor Teso: Hm?

Councilman Diaz: (Inaudible) ...

Councilwoman Mendoza: We haven't done ...

Councilman Diaz: ... (inaudible).

Councilwoman Mendoza: ... study session.

Mayor Teso: Oh.

Councilman Diaz: Item #8 is the study session

Mayor Teso: Okay.

Councilman Diaz: So (inaudible) the study session (inaudible) Finance Director.

Mayor Teso: Okay.

Ms. Moreno: Mayor, the item we have before us is a study session, which is the General Fund overview for fiscal year 2019 baseline budget. The Finance Director, Lourdes Aguirre, is going to be giving a Power Point presentation. I thought the earlier we began the budgeting process would be the best way to go for this Council as I'm learning, too, what the budget looks like (inaudible). I know that it's been challenging and (inaudible) over the course of the last few weeks. I do have some ideas but I, I'd like to first (inaudible) want you to digest it, get Mayor and Council to look at it, get some feedback from all of you, and see what you want to see this budget coming into next year. But Lourdes will go into it detail over from the last, from the last presentation she made was the, going back in February 12, she's going to start there. So, she's going to kind of rewind a little bit and then bring you up to date on what the finances are looking like now. So they do appear to look a little bit better, so I'll leave it for Lourdes.

Ms. Aguirre: Mr. Mayor, members of the Council, as the Interim City Manager stated, we decided it would be a good starting point to just bring back that original presentation that was given back in February, as a starting point going forward. So, you may recall having seen, for those of you who were here, having seen the, the first couple of slides through the whole thing, but it's just a refresher. Alright. So, we're going to talk about the structure. There's a couple of definitions in here that I'm going to skip but it's in the presentation so you all can go through those definitions on your own time. At a later time, I'll be coming back to you all with a timeline as set by State, I'm sorry, as set by State statute, okay, on when it is that certain events have to take

place with regards to budget from now until the end of June. So, all the definitions is what I'm skipping, the budget process, I'm going to start off with the baseline. So the baseline is pretty much the current year's budget for '18, the way it was adopted, and we take it forward to the following year. We really want to compare apples to apples and see what the increase is to truly assess what the true base cost increase for deficit is going forward. During this process, we will be asking for Mayor and Council direction on anything that is, any options that are proposed, and then, of course, the final steps are the adoption of a tentative budget and also the adoption of the final budget. So, what makes up the budget? The budget for fiscal year 2018 is 8.4 million; 4.9 million is General Fund. This is in the presentation page 10; 4.9 million of the budget is General Fund. Of that 4.9 million, 50% goes to Public Safety. This is just to give you a little bit of perspective. On the Restricted Fund budget, that's all dedicated funds received from the State, from the Federal government, 50% of that is pretty much for Housing, for the Housing Program. This is pretty much what your revenues and your expenditures look like, with your biggest source of revenue coming from City Sales Tax and State Shared Tax, State Shared Tax. With regard to expenditures, your largest expenditures are in the Police Department, the Fire Department, and non-departmental. What's included in non-departmental is an annual payment of \$600,000 for the City's bond. This is what the budget distribution looks like by category on page 12; 57% of your budget goes to personnel, this is of the General Fund budget; 38% goes to fixed cost and this includes things like the utilities, the bond payment, contracts for services, things that really don't change but are necessary; and discretionary is only 5%. Discretionary is pretty much things that the City uses for day-to-day operations. This includes supplies, operating repairs, vehicle repairs, and the cost of fuel. And I'd like to mention that this pretty much is standard in comparing it to the budget for Oro Valley, Marana, Sahuarita, City of Tucson, the distribution is pretty much the same; 57, 30, and minimal in discretionary. So now, here's an overview of our current situation. I'd like to preface this by mentioning that over the course of the last couple of years, the City has been able to build up its reserves in the Demo Fund slightly. As of 2017, the amount in that reserve had grown to about 10% of what the General Fund budget is; 10%. Now, I'd like to mention that a lot of City Managers like to see that at 20%. And, in fact, in discussions with our auditors, our auditing firm, we realize that the recommendation from them is 50%. That's a safe point for cities and town to have at least 50% of their General Fund budget in reserves. What would that look like for the City of South Tucson at 50%? That would mean that the Reserves or the Fund Balance would have to be about 2.5 million dollars. Currently, it's closer to \$500,000. So, less than 10%. However, the fact that it's approved over these last couple of years, have allowed the City to pay off its General Fund debt. I know that some of the dates and the figures listed in here are from the previous presentation, but I can let you know that as of the check run that we had to pay off our bills last Friday, we were able to pay off all of our bills for the General Fund. Reason being, with a little bit of more cash available in Reserves, it allows for flexibility to pay our vendors, to also pay all these other recurring expenditures; our payroll, our payroll-related expenses, property and casualty insurance, worker's compensation, all of these things which, truthfully, it had been extremely challenging to be able to set aside money, always meet our payroll and pay our vendors. A couple of challenges that we had, I just mentioned, but also had to do with long-term commitments. Included in the long-term commitment are a jail settlement that the City of South Tucson has with Pima County for the amount of \$715,000, that's what it's at now, \$715,000. The annual payment for that is \$43,500. And the term of that payoff settlement is 19 years. The next long-term commitment is Waste Management. That was originally sitting at \$300,000. Through the settlement, it came down to \$130,000. Luckily, next year, fiscal '19, is the third and final payment for \$45,000. The next one is the unfunded pension liability. You may have received a couple of handouts that were provided last February with some detail on that. Those printouts that I handed out were straight from the

actuaries, the actuarial reports. Total debt on the unfunded pension liability is 11.5 million. And the measure that was taken last year was to extend that payoff period from 20 years to 30 years. So that the contribution rate paid, which is based off of the payroll every year, would go down. And that would be a way to try and balance the budget for the current year. So that's the reason why (inaudible) from 20 to 30 years. Still, 11.5 million is the amount of that debt. The Debt Service Bond sitting at 7.1 million dollars, the annual payment is \$600,000, and that's for 20 more years. Plus, we have one pending litigation item which will probably resolve itself in the course of following months. But that will also be long-term debt. So, there's a lot that this little city has had to manage; it's current obligations as well as its long-term debt. Again, the numbers and the dates listed in this presentation are exactly as they were stated in that presentation from about two months ago, just wanted to bring you up to speed on that. Back when this was presented to Mayor and Council, the figures were as of the end of December. There was a deficit of \$99,000. I believe that the last time I presented on this was a couple of weeks ago and so, I updated Mayor and Council that as of the end of February, the deficit was \$6,439. The challenges this year have been increased legal costs for outside legal services related to those items in litigation. There's also been the decline in sales tax revenue and also a decline in court fines and fees. All this is what was used to create the estimated actuals for fiscal year '18. So, basically, we took the data for the first six months, from July through December, and annualized it. Now we've had three more months worth of data, almost four more months worth of data. So, we feel comfortable that now we'll be able to make a couple of changes on that baseline when it comes to revenues and expenditures. We'll be coming back to you all to report on that. So when it comes to estimated actuals, back in February the report was we were looking at a deficit, potential deficit of \$67,000 by the end of the fiscal year. Now I'd like to say that when I came up with this figure, one of the things I would tell management was I think this is worse case scenario for this fiscal year. That's assuming that the revenues continue on the decline and also, some of those expenses that we're keeping our eye on, those really large ones, continue to rise. But one of the things that's been crucial in being able to stay within the budget is pretty much adhering to the budget the way it was adopted. And so, you may or may not know but there was a deficit reduction plan that was taken into consideration and you may have heard already, or received one of these, but I just want you all to have it again. So this is pretty much the deficit reduction plan that had to be implemented in order for fiscal year '18 to be balanced. And I know that this is information that I presented on before. You could look it over, ask any questions, but for now, I'm going to continue on with the presentation. So you guys can take a copy if you'd like. So now moving forward to slide number 18, taking those estimated actuals which were predicated or based on those first six months worth of data, taking that forward to fiscal '19, this is the deficit we're looking at; \$374,000, almost \$375,000 for next year. And that's basically just taking the City's budget from this year, the way it was adopted, to next year. That's the amount of the growth of the difference. But like I said, we've had a couple more months worth of data that we are analyzing. And we should be able to come back to you all in the coming weeks with an update and, hopefully, we are able to bring that number down quite a bit and then go from there with any options that are available for Mayor and Council to balance the budget.

Mayor Teso: I have a question. I think you have, on that, for the revenues you have \$4,659,000 and for the 2019, and on the previous page you have the, the adopted budget estimate. Yeah, you have the, the estimated revenues of \$4,668,000.

Councilwoman Mendoza: It's 2018 ...

Councilman Diaz: On page 17?

Mayor Teso: Yeah, page 17 and page 18.

Ms. Aguirre: Yes, Mr. Mayor. So, basically, the figure here for revenues for fiscal year 2018, that was the original estimate where the City would end up for this fiscal year.

Mayor Teso: Okay.

Ms. Aguirre: Okay. So, in reality, it's 4.6 million compared to the 4.9 that was budgeted.

Mayor Teso: Okay.

Ms. Aguirre: So now, creating the estimate for next year, with any information that we may know of money coming in, money going out, you know, sales tax (inaudible) directly related to businesses here in the City. So the loss of any business directly affects the City. So, that's pretty much where the difference lies. If we go over to page 19, it gives us a visual, per se, on what some of these challenges are. So, we're looking at increased pension rates in the Fire Department, Police Department. I think I had also handed this out before, but I'll do it again. It doesn't hurt. Just so you all have this information. What I've also included on this sheet is some of the things that caused contribution rates to rise. So if you look at the second column in for fiscal year 2018, the South Tucson Police Department is going from 68.1% to 103.6% in 2019. That's quite the jump. In the South Tucson Fire Department, it's going from 127% to 167%. Again, that's quite the jump. So, when we attached all our values to that, this is the estimated increase associated with pension rate increases; \$159,000. With the baseline the way it was originally presented back in February based on those first six months of data, the revenue shortfall was estimated to be \$327,000. And then I've listed a couple of other smaller items here as well. When it comes to things that were not accounted for, well, rather, let me tell you the things that were accounted for in here first. The legislative session for the State is nearing the end. And so, any bills that would've been passed that would affect our city's finances, we would've heard about them by now. We would've been able to quantify them and list them as a shortfall as well. Luckily, like I said, the legislative session is nearing its end and there really wasn't anything that would impact the City, luckily. Also, another thing that's been issued is the budget for State-shared revenues. That's also been issued. And so, it looks like there's going to be slight growths in some of the areas like State-shared revenues, income tax, auto, the vehicle license tax, there might be a little decrease in HURF, but all that's been published already and so those are the numbers that were going to be included in the baseline when we bring it back to you all for consideration. So we will be updating. But now, back to things that are not included, things that are not included are any increases in medical insurance. There is no strategic maintenance plan here, really. There is no contingency in the numbers that were reported. Also, we don't account for any increases in worker's comp, or any additional losses in sales tax revenues. Really, with that loss of 327, at that point back in February, that was worse case scenario. I like to be very conservative in my numbers. There's no employee merits, no incidentals, no increased staff in that baseline because, again, we wanted and we needed to compare apples to apples. Okay. So with that said, that's pretty much it. So, the goal will be, from now on, to eliminate the deficit and balance the budget. If you all have any questions, I'm sorry I went through this a bit

fast, but I think it was pretty basic and it's also to repeat, or bring back where we left off in February. For now, please know that now that we have more data, we're going to be re-analyzing, re-evaluating our figures, and bringing back any updates back to you.

Councilwoman Rogers: Mr. Mayor, I have a question. What my question is, I'm a very concrete thinker, not abstract. So when you say you're going to bring us different or new numbers in a couple meetings (inaudible), does it actually concretely take away that Discount Tire is gone, going to be gone, and Micha's is not going to pay us anything, etc. Do you take that into account?

Ms. Aguirre: Yes, Mayor and Councilwoman (inaudible), absolutely, Councilwoman Rogers, I'm sorry. Absolutely. Those are the types of things that we account for when we are projecting ...

Councilwoman Rogers: Okay.

Ms. Aguirre: ... and so, when I say that the original baseline was based off of the first six months of data, there was a lot of, there was a few assumptions in there. For instance, loss of revenue (inaudible). Nonetheless, the total amount of revenue that was budgeted and adopted for fiscal '18 was to sustain the budget the way it was adopted. So, if our revenues improve, assuming we don't get, experience higher expenditures in some of those challenging line items we talked about, then it will have been enough to sustain our current services. But, yes, that's the long answer but yes, we do account for those things.

Mayor Teso: Any other questions?

(No questions from the Council)

Mayor Teso: Thank you very much.

Ms. Aguirre: Thank you.

Councilman Diaz: Thank you, Lourdes, for all your work that you put into it. Thank you.

Ms. Aguirre: Thank you, Mayor and Council.

Motion by Councilwoman Mendoza to close the Study Session and open the Regular Session. Seconded by Councilman Diaz. Motion passed unanimously.

ITEM #09 - REPORTS

Ms. Moreno: Mayor and Council, in light of the fire that happened over the course of the weekend on Friday, I asked Deputy, Chief Amado to give Mayor and Council an update as to what happened and he'll inform you. I know there's a lot of speculation and things you hear on the media, but I wanted you to get it straight from the Chief here, and hear exactly (inaudible).

Chief Amado: Mayor and Council members, as we know, on Friday the 13th, of all days, we lost an iconic restaurant here in the City of South Tucson. It was a great loss to the City as well as to the community; a restaurant that's been in place for over 40 years and we've all, you know, visited and ate at. Luckily, the building was the only thing that was lost. There was no injuries or loss of life so, you know, that is a plus. What we did is this morning, at 10 o'clock, we did a post-incident debriefing, which we normally do whenever there's a fire situation or a police situation. And, you know, I wanted to thank Interim City Manager Moreno for being on top of that. You know, by Sunday, I think it was, we were already getting the notices, you know, let's hold a post-incident debriefing. So, myself, the fire crew that responded, along with Mr. Durazo, Mr. Lopez, City Manager Moreno, Commander Shonk and Officer Billotte (inaudible) all met to discuss how the call came down and, you know, what we could've done differently, what worked, what could've been done better next time. So, you know, we took some notes on that. And, of course, you know, in fire situations like that, I'm going to defer to my experts, my SME's, my subject matter experts, which in this case would be the fire fighters and Captain Luna. What we do know is that at approximately 10 o'clock, the South Tucson Fire Department received a call from TP, excuse me, 911 dispatch that there was light smoke seen coming from the building that was reported by a passerby. They arrived on scene and noticed the same thing, that there was just smoke coming from the top. They prepped their gear, their hoses, they went inside in the building. Once inside the building, they encountered not only more smoke inside the building, but actual flames in the kitchen area. Capt. Luna says when he looked up, he noticed that the ceiling, roof had actually collapsed in. And the way he described it is you could actually see up in the stars. And once that, you know, what little I do know about fire science, what I learned from Capt. Luna, of course when you've got that happening, you've got more oxygen going in which is now going to fuel the fire. So you got a small fire now turning into a bigger fire. He explained that they did ladder the building, which means that they placed a ladder up, went up on top to check the building, the rooftop. Then he came, as the incident commander, he came to the decision to go ahead and call what they, a full alarm. Now a full alarm call means that now the Tucson Fire Department, the IGA kicks in, the intergovernmental agreement kicks in, and they start sending engines. So, they arrive at approximately 10:23 p.m. and, of course, once they get there, they assume command (inaudible) with South Tucson crews assisting them and also by battling the blaze. Total of three ladder trucks and 30 fire fighters arrived to assist. That's a total of what they call three engines, or three ladder trucks. They came from Fire Station 10 which is at Park and Ajo, and Fire Station 1, which is downtown, that's the main fire station. Those are the two closest. As I reported once before here at a Council meeting, they're the two that would honor the IGA because they're the closest, they're the ones that would respond the quickest. The fire was contained shortly after midnight. The South Tucson Police Department assisted with crowd control, as well as traffic control. And as we know, you know, human nature being what it is, when you have a fire, everybody shows up and, I mean it's something to do on a Friday night; big fire, let's go check it out. So, we had cars, you know, driving through there, people walking up, so the Police Department had their hands full, but they were able to, you know, maintain it. Once they set up barricades and barriers, you know, it pretty much kept everybody out of harm's way. Pima County Sheriff's Department sent out an arson investigator, which is standard operating procedure whenever you have a structure fire, you don't know how it started. The fire investigator, the arson detective, in this case was Det. Morales with the Sheriff's Department, goes in once the fire crews say okay, now you can go in and do your thing, after we put out the fire. At this point, it's still under investigation. The cause is undetermined, which basically means they really don't know if it was an accidental by grease, if it was something as simple as the stove was left on. The restaurant was closed. So there was nobody there. The

building was secured as much as possible. As of today, you know, the tape is still up. It was taken down. I think the wind kind of blew it down, but we also had the, I believe we had the insurance adjustors out there to take a look at it today. It's our understanding that the family wants to rebuild it. They just, it's going to take a little of bureaucracy, you know, the insurance, to do their adjustments and their claims, but they do want to rebuild so, which is great news for us. So, anyways, that's the long and short of it. In talking to Capt. Luna this afternoon, he said from the fire side, their investigation is pretty much closed as to the cause of it because it is undetermined. The arson detective did say that in his preliminary search, he didn't see anything extraordinary, anything that would point to criminal intent. You know, an accelerant, a can with a rag in it, anything like that. So, you know, for all intents and purposes, it looks like it was an accidental fire. But anyway, like I said, that's the long and short of it. If there's any questions, you know, in regards to the response or anything else I can possibly answer.

Mayor Teso: Thank you.

Councilman Diaz: And relay our thanks to the Fire Department and Police Department that everything was, no injuries, no, everything was done ...

Chief Amado: No, no injuries, no, sir.

(Simultaneous conversation)

Chief Amado: You know, just sadness, of course, because it's Micha's. And cops and the fire fighters are going to have to find a new place to go in the morning. But there's plenty of places, you know, they could (inaudible).

Ms. Moreno: Thank you, Chief. I just have one last report. (Inaudible) when we're going to have a Council Meeting so we do have one scheduled for next Monday and I hope to have your agendas in your boxes by next Wednesday, or this Wednesday, I'm sorry (inaudible).

Mayor Teso: Long day.

Councilwoman Rogers: Mr. Mayor, I said that, I was told by Ms. Moreno that anything that you wanted to say because you didn't want to call six people individually, that you could say under Reports.

Ms. Moreno: Yes, ma'am.

Councilwoman Rogers: So, I would ask everyone, if possible, if you wouldn't mind, if we could have a moment of silence for Paul Diaz's mother-in-law. Patsy's mom died this morning. She's 101 or 102, and if we could have a moment of silence, please.

Councilman Diaz: Thank you

Councilwoman Rogers: Amen. And then one more report I have is just to let you all know, I've been in touch a lot, I've got four PDF files on what we can and cannot do. Like before you got sworn in, you gotta, 24 hours before you gotta know the Open Meeting laws or you get a \$500 fine if somebody incites you. That's one. But anyway, no, I called, I talked to the League of Towns and Cities, or whatever, Cities and Towns today, and they're ready to set up a workshop for us any time we let her, Ms. Veronica ...

Ms. Moreno: They will ...

Councilwoman Rogers: ... know when ...

Ms. Moreno: ... (inaudible) ...

Councilwoman Rogers: ... we can make it. And they're also ready to come at 6:00 p.m. on any given night, second, third, or fourth Monday, two of 'em, to see how we're doing and how badly we're not doing so well. But mostly, the workshop is different. So both of those, I was waiting to hear. So now, I only have to tell Oscar and Anita.

Ms. Moreno: Mayor, members of the Council, that's one of the first things that I did. I called the League of Cities and Towns and talked to the Director, Tom Belshe, and he will be here on Monday, May the 7th.

Councilwoman Rogers: Oh, good (inaudible).

Vice-Mayor Lopez: May 7th.

Councilwoman Rogers: When?

Ms. Moreno: Monday, May the 7th.

Councilwoman Rogers: Okay. Thank you.

Ms. Moreno: You're welcome.

Mayor Teso: Is that it for the reports?

Ms. Moreno: Yes.

ITEM #10 – ADJOURNMENT

Motion by Councilman Diaz to adjourn the Regular Meeting. Seconded by Vice-Mayor Lopez. Motion passed unanimously. The meeting adjourned at 7:20 p.m.

Mayor

ATTEST:

Veronica Moreno, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the City Council of South Tucson, Arizona, held on the 16th day of April, 2018. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2018.

Veronica Moreno, City Clerk